2004 Budget Process

104-01340/

Five Year Financial Plan
2003 to 2007

Assumptions

- Salaries to increase with inflation over the next five years.
- Other expenditures to increase by 2% per annum
- Non Tax Revenues increased by 2% where appropriate
- Assumes Capital Funding Strategies are adopted
- Inflation assumed to be at the 3% to 4% level for the next five years.
- Assumes no increase in FTE complements or new programs

2003 to 2007 Financial Plan Summary

	2003	2004	2005	2006	2007
EXPENDITURES					
General	50,851,513	53,056,662	55,676,733	57,170,047	58,706,837
Police	27,456,000	29,041,790	30,057,443	31,103,982	32,182,465
Non-Departmental	5,879,723	6,527,133	6,737,544	7,248,164	7,758,996
Greater Victoria Public Library	2,723,420	2,777,888	2,833,446	2,890,115	2,947,917
Debt	5,998,581	5,143,216	5,487,102	6,060,686	6,315,184
Self-financed Programs	24,739,006	25,937,883	26,661,386	27,043,797	27,432,623
Transfer to Capital	4,263,861	5,219,861	6,175,861	7,131,861	8,087,861
	121,912,104	**127,704,433**	**133,629,515**	**138,648,652**	**143,431,882**
REVENUES					
Non -Tax	17,717,116	17,932,644	19,299,467	19,501,372	19,707,444
Non-Departmental	10,394,500	10,201,648	9,861,938	10,025,434	10,192,201
Police	4,947,486	5,229,187	5,370,830	5,516,781	5,808,252
Self-financed Programs	24,739,006	25,937,883	26,661,386	27,043,797	27,432,623
	57,798,108	59,301,362	61,193,621	62,087,384	63,140,520
Operating Property Tax Levy	59,670,203	64,113,996	68,403,071	72,435,894	76,561,268
New Construction Revenue	878,384	1,000,000	1,000,000	1,000,000	1,000,000
	118,346,695	**124,415,358**	**130,596,692**	**135,523,278**	**140,701,788**
Budget Shortfall	3,565,409	3,289,076	3,032,823	3,125,373	2,730,094
Operating and Capital Property Tax Increase	*5.98%*	*5.13%*	*4.43%*	*4.31%*	*3.57%*

Explanation of Increases (Decreases)

	2003	2004	2005	2006	2007
Expenditures					
Police Budget Increase	1,444,534	1,585,790	1,015,653	1,046,539	1,078,482
Library Budget Increase	78,283	54,468	55,558	56,669	57,802
City Increase in Salaries and Benefits	1,266,641	1,125,764	1,222,248	1,260,480	1,299,885
Self Financed Programs	702,637	1,198,877	723,503	382,411	388,826
New Debt Issues	259,677	217,577	343,886	573,584	254,498
Debt Issues Retired		(1,072,942)			
Employee Benefit Obligations		470,000			
Employee Pension Buyback		455,000			
Increase in Capital Funding	606,105	956,000	956,000	956,000	956,000
Increase Transfers to Reserve	500,000	500,000	500,000	500,000	500,000
Multipurpose Facility	600,000		869,000		
Arena Transition Fund		(330,000)			
Outstanding Legal Claims		400,000			
Inflationary Increases and Decreases	479,841	219,690	239,084	243,299	247,575
	5,937,718	**5,780,224**	**5,924,932**	**5,018,981**	**4,783,068**
Revenues					
New Assessement Revenue	878,383	1,000,000	1,000,000	1,000,000	1,000,000
Federal Properties Transferred to Harbour Authority	(350,000)				
Multipurpose Facility			1,169,000		
Prior Year's Surplus Taken into Revenue	945,000	500,000	-	-	-
Inflationary Increase on Non Tax Revenues	898,926	991,148	723,259	893,763	1,053,136
	2,372,309	**2,491,148**	**2,892,259**	**1,893,763**	**2,053,136**
Property Tax Increase	3,565,409	3,289,076	3,032,673	3,125,218	2,729,932

Operating Budget Issues

- There needs to be a continued focus on developing Capital Funding Strategies.
- Funding Required for:
  - Employee Benefit Obligations
  - Pension Buybacks
  - Outstanding Legal Claims.
- Need to establish strategies to rebuild reserve funds.
- Need to pursue new revenue opportunities.
- Impacts of Police and Fire Retirements due to Pension Changes.

Employee Benefit Obligations - Projected Liability

	City	Fire	Total	Police
Retirement Benefit - One Months Pay	1,365,608	363,154	1,728,762	516,153
Vested Sickleave	46,178	1,519,489	1,565,667	1,992,561
Pension Buyback	1,103,430	259,211	1,362,641	553,965
	2,515,216	2,141,854	4,657,070	3,062,679
Less Funds held in Reserve			(1,047,598)	-
Unfunded Liability			3,609,472	3,062,679

Budget Impacts

- Beginning in 2004 that the Five Year Financial Plan include:
  - **$269,000** funding for the Vested Sick Leave and One Months Retirement Pay
  - **$454,000** funding for the Pension Buyback Liability, should this be determined to be a City Liability.
  - Police be responsible for developing their own funding strategies to deal with these issues.

Capital Budget Issues

- Need to focus more on Long term Capital Planning.
- Capital Expenditure Requirements Exceeds Funding Available.
- Need to Develop Funding Strategies or be more realistic with our Expenditure Programs.
- We are depleting our reserve funds. There is a need to develop a reserve fund policy.

Capital Budget Strategies

- Give preference to projects that maintain existing assets as opposed to create new ones.
- Give preference to projects that attract non-City funding.
- Give preference to projects that generate cost savings and support customer service.
- Debt funding for one-time projects.
- Allocate 50% of new assessment revenue to the capital budget.
- Continue with the 1.5% temporary capital property tax levy until 2008.
- Increase transfers to reserves by $500,000 per year

2004 Budget Guidelines

Operating Budget Guidelines

- Departments to submit budgets based on the following;
  - Inclusive of changes to collective agreements.
  - No increase in FTE's.
  - No New Services or Service Level Increases.
  - Non Salary inflationary increase to be 2% at the most.

Capital Budget Guidelines

- Capital budget submissions only need to be made for new capital budget requests or modifications to the existing capital programs/projects.
- Departments should focus on 2005 to 2008 capital projects.
- **For the most part changes to the 2004 Capital Budget changes should be limited to refining project estimates.**
- Projects not completed in 2003 are to be rebudgeted.
- Funding Sources to be determined by Finance and City Manager.

Budget Timelines

Budget Timelines

• Meet with Finance Committee to discuss budget strategies and objectives	July 2003
• Budget packages to be sent out	August 2003
• Departmental budget submissions	October 14, 2003
• Finance to compile Budget Reports	November 15, 2003
• Operating and Capital Budget Review with Dept Head's, Finance and City Manager	Nov 17 to Nov 28, 2003

Budget Timelines

• Operating Budget workshops with Council	January 2004
• Capital Budget Workshops with Council	January 2004
• Preliminary Capital and Operating Budget approval by Council	February 2004
• Council approval of tax rates and ratios	April 15, 2004
• Adoption of budget bylaws	May 15, 2004

Budget Review Process

Operating Budget

- Review by Finance and City Manager with individual Departments.
  - Explanation of changes
  - Impacts of meeting budget guidelines
  - Review of Supplementary and New Inventory Requests

Budget Review Process

Capital Budget

- Finance to compile budget submissions.
- Livable Cities Sub-Committee to review and priorize expenditure programs.
- Finance and City Manager to review recommendations, establish funding levels and review with Directors.

Proposed Timelines
Budget Reviews with Directors and City Manager

Budget Review Team

Joe Martignago — Mike McCligott
Keith Dowdall — Leanne O'Keeffe

Date	Time	Department	Time Allotted	Required Attendees
Nov 17th	9:00am to 12:00pm	Overview, Finance and Non Departmental	3 hours	Keith Dowdall and support staff
Nov 17 th	2:00am to 3:00pm	Human Resources	1 hour	Ron Dennis and support staff
Nov 19 th	9:00am to 11:00am	Fire Department	2 hour	Frank Thoresen and support staff
Nov 19 th	2:00pm to 4:00pm	Planning and Development	2 hour	Jack Basey and support staff
Nov 24th	9:00am to 12:00pm	Engineering	3 hour	Patrick O'Rielly and support staff
Nov 25th	9:00am to 12:00pm	Parks, Recreation and Community Services	3hour	Donna Atkinson and support staff
Nov 26th	9:00am to 12:00pm	Legislative Services	1 hour	Rob Woodland
Nov 26th	2:00pm to 3:00pm	Conference Centre	1 hour	John Hill and support staff

Meetings to be Scheduled between November 17th and November 28th

Budget Process

Budget Process

1) Needs Assessment
   - Strategic Plan – **(Dec 2003)**
   - Citizen Survey – **(Nov 2003)**

2) Communications
   - Budget process and time table on Website – **(Sept 2003)**
   - Budget in brief - **(Jan 2004)**
   - Public Budget Presentation **(March 2004)**

Budget Process cont'd

3) Departmental Business Plans - **(Dec 2004)**

- Long term Planning and Multi-Year Budgeting
- Review Service Levels and Cost Effectiveness
- Alternative Service Deliveries (ASD)
- Risks
- Identify Opportunities
  - Technology
  - Business Process Improvements
- Benchmarking
- Performance Measurements